

CHAPTER 11

OTHER REGULATED CHARGES

11.1 INTRODUCTION

This chapter provides policies and guidance to distributors with respect to the application of Other Regulated Charges (“ORC”).

ORC refers to costs incurred to bring the commodity to the distributor or the wholesale meter and includes costs incurred to facilitate the operation of the retail market. They are non-competitive in nature and are either regulated by the Board, required under Ontario Energy Board codes and guidelines, governed by the Market Rules, or are under the direction of the government of Ontario. These charges are exclusive of the distribution delivery monthly service charges and volumetric rates covered in Chapter 3 to 6 and are treated separately from the charges related to Standard Supply Service (“SSS”) in Chapter 10.

The chapter is organized in four sections: Retail Service Charges, Non-competitive Electricity Charges, Retail Variance Accounts and Physical Allocation Process.

The chapter provides standard rates or guidelines for applying for a distributor specific rate. Chapter 9 of this Handbook discusses how these rates and charges are to be specified on the distributor’s bill.

11.2 RETAIL SERVICE CHARGES

Retail services refer to services provided by a distributor to retailers or customers related to the supply of competitive electricity as set out in the Retail Settlement Code (“RSC”). This section provides standard rates or guidance in determining appropriate distributor charges for these services.

The Board has reviewed practices in other industries and developed a set of estimates for distributors to charge for retail services with the understanding that the costs for providing

these services may vary. Distributors are required to establish variance accounts to record the difference between the rates, charges or fees (collectively “rates”) set out in this section and the actual costs of providing these services. Details of the variance accounts are discussed in section 11.4.

The proposed charges in this section are transitional in nature and are intended to be put in place to facilitate market opening.

Some services described in this section may currently be provided under an approved rate the distributor currently has in place. If a distributor has an approved rate for a retail service described herein or has a similar service that it believes is applicable, it may apply to use those approved rates.

This chapter does not set out charges for retailer non-payment risk. Non-payment risk associated with retailers must be negotiated between a distributor and a retailer according to the security arrangements described in Chapter 8 of the RSC.

11.2.1 Establishing Service Agreements

Chapter 12 of the RSC requires a distributor to enter into a service agreement with each retailer who wishes to retail electricity to consumers connected to the distributor’s distribution system.

Charges to a retailer:

Standard Charge (one-time charge)	\$100 per agreement per retailer
Monthly Fixed Charge	\$ 20 per month per retailer
Monthly Variable Charge	\$ 0.50 per month per customer

The Standard Charge is a one-time charge and is intended to recover the costs of entering into the service agreement required by the RSC.

The Monthly Fixed Charge is intended to recover the cost of contract administration and monitoring prudential requirements.

The Monthly Variable Charge is intended to recover costs related to general accounting, administration services and other communication and customer care services necessary to maintain the contract.

11.2.5 Service Transaction Requests

Under the RSC, a Service Transaction Request (“STR”) refers to a written authorization (unless otherwise provided for in the Code) that initiates a change from current service provision to alternative service provision. There is a two-part fee structure for all STRs: a request fee and a processing fee. As per the RSC, an STR is specific to an individual customer and therefore each fee shall be charged on a per customer basis. These fees are intended to recover the incremental cost of labour, internal information system maintenance costs and delivery costs.

11.2.5.1 Request fee

The request fee will apply once an STR is placed regardless of whether the STR can be processed. It is intended to recover costs incurred by a distributor for the initial screening process of an STR, as required under section 10.4 of the RSC. This fee will apply to the requesting party.

Request fee **\$0.25 per request**

11.2.5.2 Processing fee

The processing fee will apply to the requesting party if the request is processed. It is intended to recover the costs incurred to process the transaction based on rules and procedures set out under Chapter 10 of the RSC.

Processing fee **\$0.50 per request**

The processing fee is applicable to the following services:

- C A change in electricity supply for a customer from SSS to a retailer;
- C A change in electricity supply for a customer from one retailer to another;
- C A change in electricity supply for a customer from a retailer to SSS;
- C A change in a customer’s metering or billing options for customers currently served by a retailer; and
- C A change in customer location.

11.2.5.3 *Fee for specific STRs*

Information requests

A retailer or customer may request customer information as outlined in section 10.6.3 and Chapter 11 of the RSC. Once the Electronic Business Transaction (“EBT”) system is operational, a request to deliver data directly to retailers and customers if not delivered electronically through the EBT system shall be honoured twice a year at no direct charge to a retailer or customer.

A distributor may charge a processing fee as follows:

Information delivery charge

- other than EBT (more than 2 requests¹)

**\$2 per request¹ + any
incremental delivery costs**

The charge per request is intended to recover the incremental administrative costs associated with retrieving and processing the information.

Default

Under section 8.4 of the RSC, in the event of settlement payment default by a retailer, if the account remains unpaid after 10 business days from the date the settlement payment was due and the parties have not agreed on a remedy, the distributor may notify the retailer’s customers that they will become SSS consumers. For the purposes of this Handbook, a distributor may treat this transfer as an STR requested by the retailer and is allowed to recover the request and processing fee from the retailer.

11.2.5.4 *Other associated costs*

If a distributor provides an associated service (e.g. special meter reading) to facilitate the processing of an STR, it may recover the applicable associated costs in one of the following two ways:

- i) Board Approved Rates Schedule (if an applicable rate is in place)
- ii) Apply for a specific Board-approved rate

¹ A request is considered to be data delivered to a single address as set out in the RSC.

11.2.6 Monitoring and Cost Tracking

The retail services described in this section are new to the Ontario electricity market and it is not possible at this time to develop an accurate determination of rates to recover the costs incurred. The Board recognizes the need to review the rates in this section at a future date when sufficient experience has been gained.

In order to allow the Board to review these rates in the future and to ensure that distributors are compensated fairly for the provision of these services, distributors should establish the appropriate Retail Services Costs Variance Accounts (“RCVA”) to record the difference between charges rendered to customers and retailers based on these rates and the direct incremental costs for the provision of these services. Details of the RCVA are set out in section 11.4.

11.3 NON-COMPETITIVE ELECTRICITY CHARGES

Chapter 4 of the RSC indicates that all electricity distributors shall settle non-competitive electricity service costs based on rates approved by the Board. These costs may include one or more of the following: Wholesale Market Service Charges, Transmission Service Charges, and Distribution Wheeling Charges. This section provides guidance for distributors in determining appropriate rates to recover these costs from customers.

A distributor must have a separate rate for each component of non-competitive electricity costs and apply for Board approval except for those charges levied by the government of Ontario.

11.3.1 Wholesale Market Service Rate

11.3.1.1 Rate design

The Wholesale Market Service Rate is designed to allow distributors to recover costs charged by the Independent Electricity Market Operator (“IMO”) for the operation of the IMO administered markets and the operation of the IMO-controlled grid. The services provided are defined in the Market Rules and include items shown in Table 11.1.

<u>Table 11.1</u>	
<u>IMO Charge Code</u>	<u>Description</u>
0150	Net Energy Market Settlement Uplift
0250/ 0252/ 0254	Operating Reserve Market Uplift
0255/ 0251/ 0253	Operating Reserve Market Shortfall Rebate
0350	Capacity Reserve Market Uplift
0301	Capacity Reserve Market Shortfall Rebate
0155	Constrained Management Settlement Uplift
0450/ 0400	Black Start Capability Settlement Debit/ Credit
0452/ 0402	Reactive Support and Voltage Control Settlement Debit/ Credit
0454/ 0404	Regulation Service Settlement Debit/ Credit
0550/ 0500	Must Run Contract Settlement Debit/ Credit
0164/ 0114	Outage Cancellation/ Deferral Debit/ Credit
9990	IMO Energy Market Administration Charge

Wholesale Market Service Rate [to be determined] per kWh

The Wholesale Market Service Rate is an energy based rate (per kWh). This rate only applies to those customers of a distributor who are not wholesale market participants. The rate will be set by the Board for market opening. An embedded distributor who is not a wholesale market participant shall be treated as a customer to the host distributor and will be charged the same rate. The design of this rate will be re-examined at a later date.

11.3.1.2 Charge determinant

The Wholesale Market Service Rate shall be applied to the customer's metered consumption adjusted by the distributor's total loss factor, as set out in the RSC.

11.3.1.3 Recording of Retail Settlement Variance Account (“RSVA”)

A Wholesale Market Participant Distributor shall record the difference between the amount billed by the IMO for these services and the amount billed to customers based on the Wholesale Market Service Rate. The Wholesale Market Participant Distributor shall establish a Retail Settlement Variance Account - Wholesale Market Service sub account (“RSVA_{WMS}”) for the purpose of recording these differences. Recovery of these costs will be subject to the RSVA guidelines set out in section 11.4 below.

If applicable, embedded distributors shall also establish an RSVA_{WMS} to record the difference between the amount billed by the host distributor for wholesale market services and the amount billed to customers based on the Wholesale Market Service Rate.

11.3.1.4 Non-recurring Wholesale Market Service Charges

The Wholesale Market Service Charges shown in Table 11.2 are non-recurring in nature and are not incorporated in the Wholesale Market Service Rate.

<u>Table 11.2</u>	
<u>IMO Charge Code</u>	<u>Description</u>
0750/ 0700	Dispute Resolution Settlement Debit (Recovery)
0850	Market Participant Default Settlement Debit
0163 /0113	Market Suspension Additional Compensation Settlement Debit/ Credit
Paid upon registration	IMO Application Fee
Directly invoiced	Other penalties (e.g. late payment charges)

A distributor who is a Wholesale Market Participant shall set up a Retail Settlement Variance Account (“RSVA_{one-time}”) to record these charges. Recovery of the above costs will be subject to the RSVA guidelines set out in section 11.4 below.

11.3.2 Retail Transmission Service Rates

While the Board sets transmission rates for transmitters, the IMO is responsible for the administration of these charges where the transmitter's transmission system is part of the IMO-controlled grid. Distributors who are deemed to be transmission customers by the Board in its Decision in RP-1999-0044 will be billed by the IMO for transmission services.

Retail transmission service rates for distributors shall recover the transmission service costs charged by the IMO for the transmission connection (including line and transformation connections) and network services. This section explains how the retail transmission service rates shall be established. The design of these rates will be re-examined at a later date.

11.3.2.1 Rate design

A distributor shall establish two separate rates; one for transmission network service (the "Retail Transmission Network Service Rate") and one for transmission connection service (the "Retail Transmission Connection Service Rate"). These rates will apply to customers in each existing distribution customer class.

11.3.2.2 Step One: Estimating retail transmission service costs

Distributors are required to establish a transmission network service cost pool and a transmission connection service cost pool for the purpose of establishing their retail transmission service rates. While distributors are encouraged to develop their own estimate, they may follow the simplified methodology set out below.

This methodology assumes:

- (a) Non-coincident peak demand and coincident peak demand are the same; and
- (b) No embedded generation in the service territory.

The estimated retail transmission service costs can be calculated by multiplying the sum of a distributor's monthly demand readings in the year 1999 adjusted for the applicable supply facilities loss factors and the rates approved by the Board under RP-1999-0044 set out in Table 11.3. Distributors shall refer to the Board's Decision in RP-1999-0044 with respect to the manner of how these rates are applied to transmission customers in their determination of the total monthly demand in 1999. If applicable, a distributor should estimate the supply facility loss factor at the transmission delivery point.

Equation 11.1(a)

Retail transmission service costs_{Network} = total monthly demand in 1999 x applicable supply facility loss factor at the transmission delivery point x applicable rates in Table 11.3

Equation 11.1(b)

Retail transmission service costs_{Connection} = total monthly demand in 1999 x applicable supply facility loss factor at the transmission delivery point x applicable rates in Table 11.3

<u>Table 11.3</u>		
<u>IMO Charge Code</u>	<u>Description</u>	<u>Monthly Rate (\$ Per kW)</u>
0600	Network Service Rate (\$ Per kW of Network Billing Demand)	2.81*
0601	Line Connection Service Rate (\$ Per kW of Line Connection Billing Demand)	0.81*
0603	Transformation Connection Service Rate (\$ Per kW of Transformation Connection Billing Demand)	1.48*

* Note: These rates are subject to change as per the applicable Transmission Rate Order.

Host Distributors who are directly connected to the transmission system

If a distributor is considered a host distributor under the RSC and a transmission customer under the Board's Decision in RP-1999-0044, it should establish a separate transmission service rate class for embedded distributors within its service area. Alternatively, the distributor may use a representative class of like customers (e.g. large use). Equation 11.1 shall be used in either case for the purposes of estimating retail transmission service costs if the distributor has adopted the methodology set out in this section.

Embedded distributors

If a distributor is considered an embedded distributor under the RSC, Equation 11.2 below shall be used in the estimation of retail transmission service costs.

Equation 11.2(a)

Retail transmission service costs_{Network} = total monthly demand in 1999 x Host distributor's approved Retail Transmission Network Service Rate

Equation 11.2(b)

Retail transmission service costs_{Connection} = total monthly demand in 1999 x Host distributor's approved Retail Transmission Connection Service Rate

Distributors who are supplied both by the transmission system and a host distributor

If a distributor is supplied both from the transmission system and from a host distributor, it should aggregate the readings of all the delivery points from the transmission system and the host distributor into two separate pools and apply Equation 11.1 & Equation 11.2 to those readings respectively. The sum of the amounts generated in Equation 11.1(a) and Equation 11.2(a) will equal the distributor's retail transmission service costs for the network cost pool whereas the sum of the amounts generated in Equation 11.1(b) and Equation 11.2(b) will equal the distributor's retail transmission service costs for the connection cost pool.

11.3.2.3 Step Two: Cost allocation to customer classes

A distributor's network cost pool should be allocated to each customer class based on the class demand that is coincident with the monthly transmission system peak in 1999. A distributor's connection cost pool will be allocated to each customer class based on the class peak demand that is coincident with the distributor's monthly peak in 1999.

The sum of the class monthly demand divided by the sum of the class monthly demand for all classes equals a factor which is used to apply against the retail transmission service costs in the network and connection cost pool respectively to arrive at the class allocated costs.

Wholesale transmission costs charged by the IMO shall be allocated to the cost pools without regard to the delivery point that connects the customers served by the distributor.

Equation 11.3(a)

Class allocated costs_{Network} = total class monthly demand² in 1999/ total monthly demand² for all classes in 1999 x Retail Transmission Service Costs_{Network}

Equation 11.3(b)

Class allocated costs_{Connection} = total class monthly demand³ in 1999/ total monthly demand³ for all classes in 1999 x Retail Transmission Service Costs_{Connection}

If actual data is not available, a distributor may choose to adopt the generic data for system coincident and distributor coincident class load factors in the RUD model to allocate wholesale transmission costs to each class until better load data is available.

11.3.2.4 Step Three: Calculating Retail Transmission Service Rate

The class transmission rates, for the transmission network pool and the transmission connection pool, will be calculated by dividing the respective class allocated costs by the total charge determinant quantity based on 1999 historical data.

In order to maintain consistency with the billing disclosure requirements set out under section 9.4 of this Handbook, an energy charge determinant quantity (kWh) for energy only metered customers should be adjusted by the total loss factor set out under the RSC. In the case of demand metered customers, the demand charge determinant quantity (kW) should not be adjusted for losses.

However, if a distributor believes that customer understanding could be better achieved by not adjusting any of the transmission service charge determinants for losses, it has the option to do so and should indicate the election of this option in its filings with the Board. In this case, a distributor must separate for billing purposes its retail transmission service

² Class monthly demand coincident with the monthly transmission system peak in 1999

³ Class monthly demand coincident with the distributor's monthly peak in 1999

charges (network and connection) from the Wholesale Market Service charges which shall be calculated on a loss adjusted basis using the customer's loss adjusted energy usage.

Equation 11.4(a)

Class Retail Transmission Network Service Rate = class allocated costs_{Network} / 1999 charge determinant quantity (may or may not be adjusted based on a distributor's election)

Equation 11.4(b)

Class Retail Transmission Connection Service Rate = class allocated costs_{Connection} / 1999 charge determinant quantity (may or may not be adjusted based on a distributor's election)

11.3.2.5 Charge Determinants

In applying the rates to develop charges to customers, the charge determinants described herein shall be applied, subject to a distributor's election, on loss adjustments to the charge determinant quantity under section 11.3.2.4.

The peak demand in month and energy in month described in this section are not for the calendar month, but the billing cycle month.

Retail Transmission Network Service Rate

For an interval metered customer, the network rate will apply to an individual end-use customer's non-coincident peak demand in the month during the peak period defined as between 7 AM and 7 PM on weekdays that are not statutory holidays. For end-use customers with non-time-of-use demand meters, the network charge rate will apply to the customer's peak demand during the billing period. For customers with energy only meters, the network charge rate will be based on monthly energy, adjusted for losses, subject to a distributor's election under section 11.3.2.4.

Retail Transmission Connection Service Rate

In the case of a demand metered customer (either interval or non-interval), the connection rate shall apply to the individual end-use customer's non-coincident peak demand in the

month on a gross load basis for load customers with new embedded generation for which required approvals were obtained on or after October 30, 1998 (“New Embedded Generation”). Demand metered customers with existing embedded generation and New Embedded Generation under 1MW shall be billed on a net load basis. For customers with energy only meters, the connection charge rate will be based on monthly energy, adjusted for losses, subject to a distributor’s election under section 11.3.2.4.

Table 11.4

	Large Users Interval Meter	General Service Interval Meter	General Service Demand Meter	General Service Energy-only Meter	Residential Energy-only Meter
Network Charge Rate	Peak kW demand in month from 7 AM to 7 PM Weekdays	Peak kW demand in month from 7 AM to 7 PM Weekdays	Peak kW demand in month	Energy kWh consumption in month	Energy kWh consumption in month
Connection Charge Rate	Peak kW demand in month including new embedded generation over 1 MW	Peak kW demand in month including new embedded generation over 1 MW	Peak kW demand in month including new embedded generation over 1 MW	Energy kWh consumption in month	Energy kWh consumption in month

11.3.2.6 *Recording of RSVA*

Distributors who are transmission customers shall establish two Retail Settlement Variance Accounts - one sub account for network service and the other for connection service (“RSVA_{NW} & RSVA_{CN}”) for the purpose of recording the difference between the amount billed by the IMO for transmission services and the amount billed to customers based on the approved Retail Transmission Service Rates.

If applicable, embedded distributors shall establish two similar RSVA sub accounts to record the difference between the amount billed by the host distributor for retail transmission services and the amount billed to customers based on the approved Retail Transmission Service Rates.

Recovery of these costs will be subject to the RSVA guidelines set out in section 11.4 below.

11.3.3 **Distribution Wheeling Service**

Some distributors supply power to embedded distributors through distribution facilities and

other facilities. As a result, the host distributors must apply to the Board for a rate to recover the costs associated with providing this service to the embedded distributors. Similarly, embedded distributors may apply for a rate to recover these charges from their customers.

11.3.4 Charges Levied by the Government of Ontario

11.3.4.1 Rural Rate Assistance (“RRA”)

Rural Rate Assistance is currently under review by the government of Ontario. It is expected that any RRA costs will be recovered through a kWh charge to all customers.

11.3.4.2 Debt Retirement Charge

The government of Ontario has released its plan to service and pay down the residual stranded debt of the former Ontario Hydro. The plan contemplates the levying of a Debt Retirement Charge (“DRC”) on electricity used by most industrial, commercial and residential power consumers across the province. Under the plan, there will be a flat rate charge of 0.7 cents per kWh of electricity consumed. This charge does not require separate approval from the Board.

Significant amendments have recently been made to the *Electricity Act, 1998* to assist in implementing the DRC. Government regulations will set out further details regarding DRC implementation.

11.4 RETAIL VARIANCE ACCOUNTS

The objective of establishing the Retail Service Cost Variance Accounts and the Retail Settlement Variance Accounts (collectively “Retail Variance Accounts”) is to allow a distributor to record the differences in costs and revenues for appropriate future disposition and for obtaining information for setting rates in the future.

The eligibility criteria under section 5.5.1 in Chapter 5 of this Handbook will be applied to determine the eligibility of costs for recovery through the Retail Variance Accounts.

11.4.1 Retail Service Costs Variance Accounts (“RCVA”)

A distributor must establish two variance accounts for the purpose of recording variances between reasonable costs incurred for the provision of retail services and the standard rates set out in this chapter.

- (i) $RCVA_{\text{Retail}}$ - to record the difference between the amount billed and the costs of providing retail services other than STR
- (ii) $RCVA_{\text{STR}}$ - to record the difference between the amount billed on STR and the costs of providing the initial screening and actual processing services for STR

The Board will determine the methodology for disposition of the RCVA at a later date once the cost of providing these services are better understood.

Further direction on the establishment of the RCVA sub-accounts and the Board’s monitoring requirements will be provided in revisions to the Board’s *Accounting Procedures Handbook for Electric Distribution Utilities*.

11.4.2 Retail Settlement Variance Account (“RSVA”)

The RSVA is established for the purpose of recording variances between the amount owed to the IMO (or host distributor) by a distributor and the amount billed to customers and retailers under section 4, 5 and 6 of the RSC. All distributors shall have an RSVA.

11.4.2.1 *Sub accounts of RSVA*

There are five sub accounts under the RSVA:

- (i) $RSVA_{\text{power}}$ - to record the difference between the amount charged by the IMO for competitive electricity services and the amount billed to customers for the same services.
- (ii) $RSVA_{\text{WMS}}$ - to record the difference between the amount billed to customers for the Wholesale Market Service Charges in Table 11.1 and the actual costs to the distributor for the same services.
- (iii) $RSVA_{\text{one-time}}$ - to record the non-recurring Wholesale Market Service Charges under the items in Table 11.2.

- (iv) $RSVA_{NW}$ - to record the difference between the amount billed to customers based on the Retail Transmission Network Rate established under section 11.3.2.4 and the actual costs to the distributor for the service.
- (v) $RSVA_{CN}$ - to record the difference between the amount billed to customers based on the Retail Transmission Connection Rate established under section 11.3.2.4 and the actual costs to the distributor for the service.

11.4.2.2 *Maintenance and Recording*

Each of the above RSVA shall be maintained at an aggregate level (i.e. not customer specific). A debit or credit to the balances of the variance accounts shall be calculated and posted on a monthly basis in accordance with the Board's *Accounting Procedures Handbook for Electric Distribution Utilities*. At the end of each fiscal year, any outstanding balances in the variance accounts will be carried forward to the opening balance for the following year, unless otherwise directed.

11.4.2.3 *Carrying Charges*

The carrying charge amount shall be calculated and recorded using simple interest applied to the monthly opening balances in the RSVA. The distributor shall assign an interest rate equal to the applicable deemed debt rate set out in Chapter 3 of the Rate Handbook, Table 3-1. This rate shall be applied to any balance in the account, either positive or negative.

11.4.2.4 *RSVA Disposition*

Upon review of the RSVA balances at year end, a distributor may apply to the Board for disposition of its RSVA in conjunction with the annual rate adjustment of distribution rates under Chapter 5 of this Handbook.

If a distributor elects not to dispose of the year end balances in the RSVA, all outstanding balances shall be carried forward into the following year. The Board may order disposition if it determines the outstanding balances warrant such action.

If an application is made to the Board to dispose of the RSVA balances, the full amount of the RSVA year end balances shall be disposed. An application to dispose of either the

RSVA_{power} or the RSVA_{WMS} balances will automatically trigger a disposition for both sub accounts. The following disposition mechanism shall apply:

- (i) RSVA_{power} - losses on the distribution system are caused by all users of the distribution system which includes both wholesale market participant customers and retail customers. To ensure that all users of the distributor's system proportionately share the variance amount in the RSVA_{power} balance associated with the difference between the annual total loss factor determined in accordance with the RSC and the calculated cost of losses for a distributor (the "TLF Variance Amount"), this amount should be separated out from the RSVA_{power} year end balance for disposition purposes.

A distributor shall calculate the TLF Variance Amount and subtract it from the year end RSVA_{power} balance to arrive at the net RSVA_{power} balance (the "Net Power Variance Amount").

The disposition of the TLF Amount will be determined and communicated at a later date.

The Net Power Variance Amount will be added to the RSVA_{WMS} for disposition purposes.

- (ii) RSVA_{WMS} - The sum of the year end RSVA_{WMS} balance and the Net Power Variance Amount will be rolled forward and included in the determination of the Wholesale Market Service Rate on a per kWh basis for the following year.
- (iii) RSVA_{one-time} - a distributor may apply to the Board to recover the year-end outstanding balance.
- (iv) RSVA_{NW} & (v) RSVA_{CN} - the year-end balances of both accounts will be rolled forward and included in the determination of the respective Retail Transmission Service Rates cost pools under section 11.3.2.2 for the following year.

The RSVA disposition mechanism will be reviewed in conjunction with the review of the Retail Transmission Service Rate design under section 11.3.2.

11.4.2.5 *Monitoring requirements*

Distributors are required to file a monitoring report of all RSVA sub-accounts to the Board

on a quarterly basis. Details of the reporting requirements will be provided in the Board's *Accounting Procedures Handbook for Electric Distribution Utilities*.

11.5 PHYSICAL ALLOCATION PROCESS

The Market Rules permit a metered market participant to transfer the responsibility for a quantity of energy (and most non-energy wholesale market service charges) to another market participant before it is processed by the IMO settlement process. This is referred to as "Physical Allocation". A metered market participant is allowed to voluntarily use the allocation process as long as permission has been granted from the other market participant(s) receiving the allocation data. The Market Rules do not prescribe the types of allocation agreements that are allowable between market participants, stating only that both market participants must agree to the allocation process. In addition, the Market Rules do not obligate Wholesale Market Participant Distributors to accommodate this process.

The Board has considered the ability of distributors to accommodate Physical Allocation at the initial phase of market opening and concluded that it may not be feasible to do so for customers without an interval meter. Therefore, the Board will not obligate a distributor to accommodate a request for Physical Allocation from an aggregator of customers without interval meters.

However, if a Wholesale Market Participant Distributor is presented with a request for Physical Allocation from a customer (the "Requester") with a remotely read interval meter (defined as a MIST meter in the RSC); the Wholesale Market Participant Distributor shall enter into discussions with the Requester and consider the feasibility of accommodating such a request.

If the two parties are able to reach a physical allocation agreement ("PAA"), the Wholesale Market Participant Distributor must file the PAA with the Board for approval. The PAA shall include specific provisions setting out how variances shall be accounted for between the agreed allocated quantity (or factor) and the actual hourly quantity of energy withdrawn by the Requester. The Wholesale Market Participant Distributor is responsible for proposing a plan to ensure that other customers in its service territory are held harmless by this agreement. When filing the PAA with the Board for approval, the Wholesale Market Participant Distributor shall also apply for a rate that will recover all incremental costs incurred for accommodating the PAA from the Requester.

The obligations of a Wholesale Market Participant Distributors with respect to Physical Allocation will be revisited in conjunction with the mid-term review held to design the next generation of PBR.

11.6 FILING GUIDELINES FOR LOSS FACTORS, RETAIL TRANSMISSION SERVICE RATES AND LOAD PROFILE FOR STREET LIGHTING

11.6.1 SCHEDULE 1: Manager Summary

The manager summary is an overview of the application and should include:

- a list of delivery points connected to the transmission system;
- a list of delivery points connected to a host distributor;
- a list of delivery points supplying embedded distributors;
- an indication of which Method has been used in the determination of the Retail Transmission Service Rates (see 11.6.3, Schedule 3 below);
- an indication of whether line connection charges or transformation connection charges (or both) will apply;
- identification of all host distributors (include licence number);
- identification of all embedded distributors (include licence number);
- the number and capacity of known embedded generators connected to the distribution system (indicating whether they are “existing” or “new” embedded generation according to the Board’s Decision under RP-1999-0044);
- a description of the proposed treatment of the following:
 - the determination of coincidence factor for customer classes,
 - the treatment of load transfers, and
 - any assumptions made in the application.

If the proposed transmission rates are different from the results flowing from the methodologies contained in the Guidelines, the applicant must provide the rates using the model and the reasons/rationale for submitting a different set of rates.

Determination of Billing Demand

At the retail level, monthly demand values for interval metered General Service customers are determined currently on a rolling 15 minute (or 60 minute for large use customers) average demand. To calculate the transmission service rates that are charged on a per kW basis, Distributors may (but are not required) to use a “rolled” measurement for determining billing demand and for the establishment of the retail transmission service rates. **The Distributor should be aware that, as set out in the Retail Settlement Code (RSC), the competitive energy costs for consumers with interval meters at market opening will be based on “clock hour” measurements.**

11.6.2 SCHEDULE 2: Retail Settlement Code Loss Factors

An applicant is required to provide the results, all supporting calculations and assumptions on the parameters used in calculating all the applicable equations set out in section 3.2 of the RSC to calculate the following loss factors:

- Distribution Loss Factor,
- Supply Facilities Loss Factor, and
- Total Loss Factor.

Distribution Loss Factor

If an applicant is seeking Board approval for a distributor-specific value of the Primary Adjustment Factor (“PAF”) under Equation 3.2 (a) in the RSC, it is required to provide its proposal in this section.

If an applicant is seeking Board approval to use equation 3.2(d) in the RSC for certain secondary-metered customers, it is required to provide proof of the certified site-specific loss factor in this section.

If an applicant is seeking Board approval to estimate distribution system losses separately from Unaccounted For Energy, under section 3.2 of the RSC, it is required to provide its proposal in this section.

Supply Facilities Loss Factor (SFLF)

The applicant shall provide any specific assumptions made in energy supplied by the transmission system, retail embedded generators, or embedded wholesale market generators for Equation 3.2(e) of the RSC.

An applicant should calculate loss factors based on the best available data. However, should such data not be available, as default values, in the site-specific facilities loss component of Equation 3.2(e), a Distributor may use a value of 0.0045⁴ in the determination of the SSL_{dxPRWM}^s losses (i.e. $SSL_{dxPRWM}^s = E_{PRMW}^s * 0.0045$) and a value of 0.01⁵ in the determination of the SSL_{RMW} losses (i.e. $SSL_{RMW} = E_{RMW} * 0.01$).

⁴ This value is based on data used by Hydro One as part of RP-1999-004.

⁵ This value is based on a similar loss value to that of a large use customer.

Total Loss Factor (TLF)

The Total Loss Factor is determined by applying Equation 3.2(f), i.e. by multiplying the applicable Distribution Loss Factor by the Supply Facilities Loss Factor.

11.6.3 SCHEDULE 3: Retail Transmission Service Rates

Section 11.3.2 sets out different equations for estimating retail transmission service costs depending on whether the Distributor is supplied directly by the transmission system and/or through a Host Distributor. For the initial submission, however, a Distributor should treat **all** its delivery points (including embedded points) as being directly connected to the transmission system and use the wholesale transmission rates in calculating its retail transmission service costs.

Distributors should, therefore only apply Equations (11.1(a) and 11.1(b)) to determine their retail transmission costs for all delivery points (including embedded points) and not Equations (11.2(a) and 11.2(b)). This is different from the methodology set out in Section 11.3.2, and is intended to enable Distributors to derive initial rates so that Distributors with fully embedded delivery points can properly determine their rates in the next round of applications, using all relevant equations in Section 11.3.2. However, Distributors are still expected to maintain two separate cost pools for supply from the transmission system and from a host distributor, as set out in Section 11.3.2.2.

Two methods are provided for a Distributor to determine its retail transmission service costs. Method 1 assumes the Distributor has access to all required data. Method 2 recognizes that a Distributor may not have access to the interval data of all meters that contributed to its 1999 wholesale cost determination and therefore it will not be able to use the appropriate Billing Demands in estimating transmission costs as described in Method 1.

Method 2 makes use of the Distributor's 1999 wholesale power billing data in estimating retail transmission service costs. This data includes the Distributor's monthly peak and off-peak period demands and for each contributing metering point, the metering point's coincident demand with respect to the Distributor's monthly peak, and the peak and off- peak period demands.

Both methods will result in variances between the transmission service costs-and the retail transmission service revenue. These are recorded in the appropriate Retail Variance Accounts.

Method 1

Step One: Estimating retail transmission service costs

(a) for Network charges:

Provide a list of monthly demand in 1999 by delivery point (measured delivery point peak (7am to 7pm) and measured coincident peak demand at Transmission System Peak Time).

Provide a list of monthly billed demand in 1999 by delivery point (higher of either 85% of the delivery point peak demand 7am to 7pm or the transmission system coincident peak).

By delivery point, apply the monthly billed demand in 1999, adjusted by SFLF if applicable and by an estimate of the Host Distributor's Total Loss Factor (TLF_H) if an embedded delivery point, to the Network Service Rate of \$2.81 per kW to obtain the Total Network Service Costs (i.e. Equation 11.1(a)). If an estimate of the Host Distributor's Total Loss Factor is not available, a default value of 1.045⁶ (default Host TLF) may be used.

By delivery point, allocate Total Network Service Costs to the Distributor and any Embedded Distributors based on the higher of the Distributor's coincident peak demand or 85% of peak period demand and the higher of each Embedded Distributor's coincident peak demand or 85% of peak period demand times the Distributor's TLF.

The Distributor's Total Network Service Cost is obtained by summing the Distributor's Network Service Costs from each delivery point.

An Embedded Distributor's Total Network Service Cost is obtained by summing the respective Network Service Costs from each delivery point.

(b) for Connection charges:

Provide a list of monthly demand in 1999 by delivery point (peak demand at any time of the month)

⁶ This value is the average of the Utility Losses as reported in Ontario Hydro's Municipal Electric Utility Financial & Statistical Summary documents for 1993 to 1997.

Apply the monthly demand in 1999 by delivery point (adjusted by SFLF if applicable and by an estimate of the Host Distributor's Total Loss Factor (TLF_H) (or the default Host TLF of 1.045) if an embedded delivery point to the applicable Line Connection Service Rate of \$0.81 per kW and Transformation Connection Service Rate of \$1.48 per kW to obtain the Total Connection Service Costs (i.e. Equation 11.1(b)).

By delivery point, allocate the determined Total Connection Service Costs to the Distributor and Embedded Distributors based on the Distributor's peak demand and each Embedded Distributor's peak demands times the Distributor's TLF.

The Distributor's Total Connection Service Cost is obtained by summing the Distributor's Connection Service Costs from each delivery point.

An Embedded Distributor's Total Connection Service Cost is obtained by summing the respective Connection Service Costs from each delivery point.

Step Two: Cost allocation to customer classes⁷

(a) for Network charges cost pool:

Provide the higher of the class monthly demand in 1999 that is coincident with the monthly transmission system peak or 85% of the class Peak Period demand.

(b) for Connection charges cost pool:

Provide class monthly peak demand in 1999.

(c) Calculate the class allocated costs (network and connection)

Apply Equations 11.3(a) and (b).

The applicant should identify in this section whether it has used actual data or adopted the generic data for system coincident and distributor coincident class load factors in the RUD model, filed with the Distributors Distribution Unbundling Application, to do the allocation.

The applicant should set out specific assumptions on coincident factors for each customer class and the supporting reasons.

⁷ Method 2 class demands may also be used

Step Three: Calculating Retail Transmission Service Rates

Calculate class transmission service rates for the transmission network pool and the transmission connection pool by dividing the respective class allocated costs by the corresponding total charge determinant quantity (Equations 11.4 (a) & (b)).

Calculate Distributor transmission service rates chargeable to an Embedded Distributor for the transmission network pool and the transmission connection pool by dividing the respective allocated costs by the corresponding total charge determinant quantity (Equations 11.4 (a) & (b)).

Step Four: Draft Rate Schedule

Provide a draft rate schedule under this section. All relevant pricing information should be included.

OR

Method 2

Assumptions: 1. Distributor's system peaks at same time as Provincial Transmission Service Peak
2. Coincident demands with respect to the Distributor's monthly peak are used exclusively as the allocator of Transmission Service Costs between the Distributor and Embedded Distributors and between classes within a Distributor.

Step One: Estimating retail transmission service costs

(a) for Network charges:

Provide a list of 1999 monthly coincident peak demand for each contributing meter arranged by delivery point (directly connected and embedded).

For each directly connected delivery point, the Network Billing Demand is determined by multiplying the delivery point coincident demand determined from metering data by an estimate of the site specific loss factor (SSLF) where appropriate.

For each embedded delivery point, the Network Billing Demand is determined by multiplying the delivery point coincident demand determined from metering data by

an estimate of the Host Distributor's Total Loss Factor (TLF_H). If an estimate of the Host Distributor's Total Loss Factor is not available, a default value of 1.045⁸ (default Host TLF) may be used.

For each delivery point, determine each Embedded Distributor's Network Billing Demand by multiplying each Embedded Distributor's coincident demand determined from metering data adjusted for any site specific losses (the sum of coincident demands when two or more meters) multiplied by the Distributor's total loss factor (TLF).

For each delivery point, determine the Distributor's Network Service Cost and Embedded Distributor's Network Service Costs by applying the Network Service Rate of \$2.81 per kW to the Network Billing Demand and the Embedded Distributor's Billing Demand.

For each delivery point, the Distributor's Network Service Cost are determined by subtracting the Embedded Distributor's Network Service Costs from the Total Network Service Cost.

The Distributor's Total Network Service Cost is obtained by summing the Distributor's Network Service Costs from each delivery point.

An Embedded Distributor's Total Network Service Cost is obtained by summing the respective Network Service Costs from each delivery point.

(b) for Connection charges:

Provide a list of monthly peak demand in 1999 by delivery point (peak demand at any time of the month). The Distributor will estimate these demands when they cannot be determined from available Wholesale Power Billing Data.

For each directly connected delivery point, the Connection Billing Demand is determined by multiplying the delivery point monthly peak demand by an estimate of the site specific loss factor (SSLF) where appropriate.

For each embedded delivery point, the Connection Billing Demand is determined by multiplying the delivery point monthly peak demand by an estimate of the Host Distributor's Total Loss Factor (TLF_H) (or the default Host TLF of 1.045).

⁸ This value is the average of the Utility Losses as reported in Ontario Hydro's Municipal Electric Utility Financial & Statistical Summary documents for 1993 to 1997.

For each delivery point, determine the Connection Service Cost by applying the applicable Line Connection Service Rate of \$0.81 per kW and Transformation Connection Service Rate of \$1.48 per kW to the Connection Billing Demand.

For each delivery point, allocate the Connection Service cost to the Distributor and the Embedded Distributors in the same proportions as the Network Service Charges.

The Distributor's Total Connection Service Cost is obtained by summing the Distributor's Connection Service Costs from each delivery point.

An Embedded Distributor's Total Connection Service Cost is obtained by summing the respective Connection Service Costs from each delivery point.

Step Two: Cost allocation to customer classes

(a) for Network charges cost pool:

Provide class monthly demand in 1999 that is coincident with the Distributor's monthly system peak

(b) for Connection charges cost pool:

Provide class monthly demand in 1999 that is coincident with the Distributor's monthly peak

(c) Calculate the class allocated costs (network and connection)

Apply Equations 11.3(a) & (b).

The applicant should identify in this section whether it has used actual data or adopted the generic data for system coincident and distributor coincident class load factors in the RUD model to do the allocation.

The applicant should set out specific assumptions on coincident factors for each customer class and the supporting reasons.

Step Three: Calculating Retail Transmission Service Rates

Calculate class transmission service rates for the transmission network pool and the transmission connection pool by dividing the respective class allocated costs by the

total charge determinant quantity (Equations 11.4 (a) & (b)).

Calculate Distributor transmission service rates chargeable to an Embedded Distributor for the transmission network pool and the transmission connection pool by dividing the respective allocated costs by the corresponding total charge determinant quantity (Equations 11.4 (a) & (b)).

Step Four: Draft Rate Schedule

Provide a draft rate schedule under this section. All relevant pricing information should be included.

11.6.4 SCHEDULE 4: Street Lighting Load Profile

The street lighting load is the only load without interval metering that will require a Board approved hourly load profile, as set out in Section 3.10 of the Retail Settlement Code. As a result, estimation of a profile is required.

The Board will be establishing a deemed load profile, based on a combination of actual Distributor data and historical information. One of the assumptions that will be made is that the street lighting load will be either all on or all off.

A Distributor must state its option of using the deemed load profile or its own specific profile data.

As part of the Distribution Rate Application, the connected loads and estimated energy statistics for street lighting were provided. In order to complete the load profile, an indication of when the street lights are on must also be made. If a Distributor wishes to use its own specific profile data, it must include an indication of when the street lights will be in operation for each day in the year and the percentage of the total street lighting load that is in operation. In addition, the bases and assumptions used to develop the set of data must be provided.

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